



# **Heavy Rare Earths Limited**

**(Formerly known as HRE Corporation Limited)**

**ABN 35 648 991 039**

**Interim Report - for period 25 March 2021 to 31 December 2021**

**Heavy Rare Earths Limited**  
**(Formerly known as HRE Corporation Limited)**  
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**31 December 2021**

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**Heavy Rare Earths Limited**  
**(Formerly known as HRE Corporation Limited)**  
**Corporate directory**  
**31 December 2021**

Directors	Mr John Byrne (Non-executive Chairman) Mr Richard Brescianini (Executive Director) Mr Ryan Skeen (Non-executive Director)
Company secretary	Justin Mouchacca
Registered office	Level 21, 459 Collins Street Melbourne, VIC 3000 Ph: (03) 8630 3321
Principal place of business	Level 21, 459 Collins Street Melbourne, VIC 3000
Auditor	William Buck Audit (Vic) Pty Ltd Level 20, 181 William Street Melbourne, VIC 3000

**Heavy Rare Earths Limited**  
**(Formerly known as HRE Corporation Limited)**  
**Directors' report**  
**31 December 2021**

The directors present their report, together with the financial statements, on the company for the period ended 31 December 2021. As the company was incorporated 25 March 2021, these are the first audited financial statements of the company for the interim period ended 31 December 2021 and no comparative results are therefore presented.

**Directors**

The following persons were directors of the company during the whole of the financial period and up to the date of this report, unless otherwise stated:

Mr John Byrne (Non-executive Chairman) - appointed 2 February 2022  
Mr Richard Brescianini (Executive Director) - appointed 2 February 2022  
Mr Ryan Skeen (Non-executive Director) - appointed 16 May 2022  
Mr Ryan Batros (Non-executive Director) - appointed 25 March 2021 and resigned 16 May 2022  
Mr Bryan Frost (Non-executive Director) - appointed 25 March 2021 and resigned 2 February 2022  
Mr Justin Mouchacca (Non-executive Director) - appointed 9 November 2021 and resigned 2 February 2022  
Mr Wayne Kernaghan (Non-executive Director) - appointed 25 March 2021 and resigned 9 November 2021

**Principal activities**

The principal activities of the Company during the period consisted of acquiring all rights to an option over 100% of WA exploration licence 63/1972 (known as the Cowalinya rare earth element project), reviewing other potential exploration areas of interest and preparing the Company for a listing on the Australian Securities Exchange (ASX).

**Dividends**

There were no dividends paid, recommended or declared during the current financial period.

**Review of operations**

The loss for the company after providing for income tax amounted to \$118,568.

During the financial period, the Company acquired all rights to an option over 100% of WA exploration licence 63/1972 (known as the Cowalinya rare earth element project).

The Company is seeking to raise funds under the IPO to exercise the option and thereby acquire the tenement as part of listing. Heavy Rare Earths Limited (**HRE**) proposes exercising the option upon receiving conditional listing approval. Exercise of the option would be a condition of the IPO capital raising and listing. Under the option, HRE has the right to manage and conduct all activities at the Project.

Main Business activities will include:

- Exploring, developing and operating mineral resource projects with a focus on rare earth elements (REEs), including the Cowalinya Project in the Albany-Fraser Range in Western Australia.
- Focus on boosting domestic production of REEs which are essential to a wide range of applications such as hybrid and battery electric vehicles, wind energy, smart phones, robotics, power tools, healthcare, military hardware, oil refining etc, whereas global production has been historically dominated by China.
- The Company's primary near term objective is to undertake sufficient exploration on its Project to potentially build on the existing Inferred Mineral Resource estimate.

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**Significant changes in the state of affairs**

Pursuant to a Deed of Option dated 27 October 2020, the company executed a deed with Cobold Metals Limited assigning the option held by Cobold Metals to acquire 100% of the Project tenement from the current tenement holders (who are not related parties of the Company). The terms for the acquisition of the Tenement are:

- Option fee: \$250 (paid by Cobold Metals);
- Upon exercise of the option: \$300,000 will be payable to the Vendors in cash and 1,000,000 fully paid ordinary shares issued to the Vendors in lieu of payment of \$200,000, upon and subject to successful completion of the IPO and receipt of conditional listing approval.
- The Company is (and its predecessor Cobold was) obliged to comply with minimum expenditure obligations. Vendors have confirmed expenditure obligations of predecessor under the Deed of Option have been fulfilled or waived.
- The Company issued Cobold 600,000 fully paid ordinary shares (**Shares**) (at a deemed issue price of \$0.05 per share on a post-consolidation basis) in lieu of payment of \$30,000 in cash in part payment for exploration services conducted by Cobold at the Project, together with \$55,000 (inc GST) in cash.

On 13 May 2021 the Company issued 9,800,881 Shares (on a pre-consolidation basis) to Cobold Metals Ltd shareholders for nil consideration. The issue of shares were at a value of \$0.025 (2.5 cents).

On 20 May 2021 the Company issued 3,252,000 Shares (on a pre-consolidation basis) with an issue price of \$0.025 (2.5 cents) per share to seed investors raising \$81,300.

On 10 June 2021 the Company issued 23,552,242 Shares (on a pre-consolidation basis) with an issue price of \$0.050 (5 cents) per share raising \$1,177,612 as a placement and entitlement offer.

On 30 June 2021 the Company issued 600,000 Shares (on a pre-consolidation basis) with a deemed issue price of \$0.05 (5 cents) per share raising \$30,000 in part payment for exploration services conducted by Cobold at the Project, together with a \$55,000 (inc GST) cash payment.

There were no other significant changes in the state of affairs of the company during the financial period.

**Matters subsequent to the end of the financial period**

Subsequent to the end of the financial period, the Company's name changed to Heavy Rare Earths Limited from HRE Corporation Limited following shareholder approval sought at the Company's Annual General Meeting (AGM) held on 16 March 2022.

The Company also sought approval from shareholders at the AGM to consolidate the Company's shares on basis that every five (5) fully paid ordinary shares be consolidated into one (1) fully paid ordinary share. Following completion of the consolidation the number of shares on issue was 37,255,150.

The Company has also made two applications for exploration licences (ELA 33101 and ELA 33194) in the Tennant Creek region of the Northern Territory, which the Company has identified as having potential to host REEs.

The Company issued 70,000 Shares (on a post-consolidation basis) for satisfaction of consulting services provided to the Company by a related entity of Director, Mr Richard Brescianini.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

**Likely developments and expected results of operations**

The Company is seeking to raise funds under the IPO to exercise the option and thereby acquire the tenement as part of listing. HRE proposes exercising the option upon receiving conditional listing approval. Exercise of the option would be a condition of the IPO capital raising and listing. Under the option, HRE has the right to manage and conduct all activities at the Project.

**Heavy Rare Earths Limited**  
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**Directors' report**  
**31 December 2021**

The Company will continue to conduct exploration activities at its project areas and these activities will include drilling, assay, metallurgical test work and, if warranted, scoping level feasibility.

**Environmental regulation**

The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Meetings of directors**

There were no meetings of directors held during the period ended 31 December 2021.

Since incorporation of the Company to 31 December 2021 there have been no formal director meetings, with all significant decisions and transactions authorized at Board level through circular resolutions.

**Shares under option**

There were no unissued ordinary shares of the company under option outstanding at the date of this report.

**Shares issued on the exercise of options**

There were no ordinary shares of the company issued on the exercise of options during the period ended 31 December 2021 and up to the date of this report.

**Indemnity and insurance of officers**

Subsequent to the end of the financial period, the Company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable.

**Indemnity and insurance of auditor**

The company has not, during or since the end of the financial period, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial period, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



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Mr John Byrne  
Non-executive Chairman

23 May 2022

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001 TO THE DIRECTORS OF HEAVY RARE EARTHS  
LIMITED**

I declare that, to the best of my knowledge and belief during the period ended 31 December 2021 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

*William Buck*

**William Buck Audit (Vic) Pty Ltd**

ABN: 59 116 151 136



**N. S. Benbow**

Director

Dated this 23<sup>rd</sup> day of May 2022

**ACCOUNTANTS & ADVISORS**

Level 20, 181 William Street  
Melbourne VIC 3000

Telephone: +61 3 9824 8555

**[williambuck.com](http://williambuck.com)**

**Heavy Rare Earths Limited**  
**(Formerly known as HRE Corporation Limited)**  
**Statement of profit or loss and other comprehensive income**  
**For the period ended 31 December 2021**

	Note	for period 25 March 2021 to 31 December 2021 \$
<b>Expenses</b>		
Corporate and administrative expenses		<u>(118,568)</u>
<b>Loss before income tax expense</b>		(118,568)
Income tax expense		<u>-</u>
<b>Loss after income tax expense for the period attributable to the owners of Heavy Rare Earths Limited</b>		(118,568)
Other comprehensive income for the period, net of tax		<u>-</u>
<b>Total comprehensive income for the period attributable to the owners of Heavy Rare Earths Limited</b>		<u><u>(118,568)</u></u>
		<b>Cents</b>
Basic earnings per share	17	(0.55)
Diluted earnings per share	17	(0.55)

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*



**Heavy Rare Earths Limited**  
**(Formerly known as HRE Corporation Limited)**  
**Statement of financial position**  
**As at 31 December 2021**

	Note	31 December 2021 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents		740,820
GST input tax credits receivable		8,453
Total current assets		<u>749,273</u>
<b>Non-current assets</b>		
Exploration and evaluation	5	<u>407,593</u>
Total non-current assets		<u>407,593</u>
<b>Total assets</b>		<u>1,156,866</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	6	<u>56,579</u>
Total current liabilities		<u>56,579</u>
<b>Total liabilities</b>		<u>56,579</u>
<b>Net assets</b>		<u>1,100,287</u>
<b>Equity</b>		
Issued capital	7	1,218,855
Accumulated losses		<u>(118,568)</u>
<b>Total equity</b>		<u>1,100,287</u>

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Heavy Rare Earths Limited**  
**(Formerly known as HRE Corporation Limited)**  
**Statement of changes in equity**  
**For the period ended 31 December 2021**

	<b>Issued capital \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 25 March 2021	-	-	-
Loss after income tax expense for the period	-	(118,568)	(118,568)
Other comprehensive income for the period, net of tax	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	(118,568)	(118,568)
<i>Transactions with owners in their capacity as owners:</i>			
Contributions of equity, net of transaction costs (note 7)	1,218,855	-	1,218,855
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	<u>1,218,855</u>	<u>(118,568)</u>	<u>1,100,287</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Heavy Rare Earths Limited**  
**(Formerly known as HRE Corporation Limited)**  
**Statement of cash flows**  
**For the period ended 31 December 2021**

	Note	for period 25 March 2021 to 31 December 2021 \$
<b>Cash flows from operating activities</b>		
Payments to suppliers (inclusive of GST)		<u>(70,442)</u>
Net cash used in operating activities	16	<u>(70,442)</u>
<b>Cash flows from investing activities</b>		
Payments for exploration and evaluation	5	<u>(407,593)</u>
Net cash used in investing activities		<u>(407,593)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	7	1,288,912
Payments for capital raising costs		<u>(70,057)</u>
Net cash from financing activities		<u>1,218,855</u>
Net increase in cash and cash equivalents		740,820
Cash and cash equivalents at the beginning of the financial period		<u>-</u>
Cash and cash equivalents at the end of the financial period		<u><u>740,820</u></u>

*The above statement of cash flows should be read in conjunction with the accompanying notes*

**Heavy Rare Earths Limited**  
**(Formerly known as HRE Corporation Limited)**  
**Notes to the financial statements**  
**31 December 2021**

**Note 1. General information**

The financial statements cover Heavy Rare Earths Limited as an individual entity. The financial statements are presented in Australian dollars, which is Heavy Rare Earths Limited's functional and presentation currency.

Heavy Rare Earths Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 21, 459 Collins Street  
Melbourne, VIC 3000  
Ph: (03) 8630 3321

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 May 2022. The directors have the power to amend and reissue the financial statements.

**Note 2. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below.

**New or amended Accounting Standards and Interpretations adopted**

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory or available for early adoption in the current reporting period. There has been no material impact on these financial statements arising from their adoption.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have also been adopted and have not materially impacted upon these financial statements.

**Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost assumption*

The financial statements have been prepared under the historical cost assumption.

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

**Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**Note 2. Significant accounting policies (continued)**

**Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Exploration and evaluation assets**

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

At this stage all of the company's projects are in the exploration phase, which has only a minimal disturbance to the underlying areas of interest and for which the company rehabilitates as it conducts its exploration activity.

**Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**Trade and other payables**

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

**Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Earnings per share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Heavy Rare Earths Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

**Heavy Rare Earths Limited**  
**(Formerly known as HRE Corporation Limited)**  
**Notes to the financial statements**  
**31 December 2021**

**Note 2. Significant accounting policies (continued)**

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 31 December 2021. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

**Note 3. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences and carry-forward tax losses only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

*Exploration and evaluation costs*

Exploration and evaluation costs have been capitalised on the basis that the company will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

**Heavy Rare Earths Limited**  
**(Formerly known as HRE Corporation Limited)**  
**Notes to the financial statements**  
**31 December 2021**

**Note 3. Critical accounting judgements, estimates and assumptions (continued)**

*Issue of shares to shareholders of Cobold Metals Ltd*

On 13 May 2021 the Company issued 9,800,881 ordinary fully paid shares to shareholders of Cobold Metals Ltd. These shares were subsequently entered in ASIC records on 13 May 2021. In recording a nil value to the issue of these shares and that this transaction did not constitute a share-based payment, the directors considered the following:

- a) the assignment of the option held by Cobold Metals Ltd to Heavy Rare Earths Limited did not occur until 9 June 2021, after (and not commensurate with) the issue of the shares;
- b) the deed of assignment did not make any linkage (implied or actual) to the issue of the shares; and
- c) the fact that the original option agreement held by Cobold was acquired for only nominal consideration of \$250.

**Note 4. Segment information**

*Identification of reportable operating segments*

The Company has identified its operating segments based on the investment decisions of the board and used by the chief operating decision makers in assessing performance and in determining the allocation of resources. The Company operates in one segment being the evaluation and exploration of heavy rare earths and resources in Australia.

**Note 5. Non-current assets - exploration and evaluation**

	<b>31 December 2021 \$</b>
Exploration and evaluation assets	407,593

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

	Exploration and evaluation \$	Total \$
Balance at 25 March 2021	-	-
Expenditure during the period	407,593	407,593
Balance at 31 December 2021	407,593	407,593

Although planned, future anticipated exploration expenditure does not constitute a commitment or contingent liability under accounting standards. In the event that planned exploration expenditure under an area of interest is not met, there is a possibility that the regulatory authority charged with administering that area of interest has the ability to rescind the rights of the Company to explore and evaluate that area of interest, but not, however enforce payment of that planned expenditure.

**Heavy Rare Earths Limited**  
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**Notes to the financial statements**  
**31 December 2021**

**Note 6. Current liabilities - trade and other payables**

	<b>31 December 2021</b>
	<b>\$</b>
Trade creditors	17,559
Accrued expenses	<u>39,020</u>
	<u><u>56,579</u></u>

Refer to note 9 for further information on financial instruments.

**Note 7. Equity - issued capital**

	<b>31 December 2021</b>	
	<b>Shares</b>	<b>\$</b>
Ordinary shares - fully paid	<u>37,205,143</u>	<u>1,218,855</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	25 March 2021	-		-
Issue of shares on incorporation	25 March 2021	20	\$0.01	-
Issue of shares to Cobold Metals Ltd shareholders	13 May 2021	9,800,881	-	-
Issue of shares to Seed Investors	20 May 2021	3,252,000	\$0.02	81,300
Issue of Shares for Placement and entitlement offer	10 June 2021	23,552,242	\$0.05	1,177,612
Shares issued to Cobold Metals Ltd for exploration services	30 June 2021	600,000	\$0.05	30,000
Capital raising costs		<u>-</u>	-	<u>(70,057)</u>
Balance	31 December 2021	<u>37,205,143</u>		<u>1,218,855</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Capital risk management*

The company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

**Note 8. Equity - dividends**

There were no dividends paid, recommended or declared during the current financial period.



**Heavy Rare Earths Limited**  
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**Notes to the financial statements**  
**31 December 2021**

**Note 9. Financial instruments**

***Financial risk management objectives***

The company's activities expose it to liquidity risk. It has no exposure to price risk, interest rate risk, market risk or credit risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. Financial instruments of the company consist of cash and cash equivalents, goods and services tax credits and trade and other payables.

***Liquidity risk***

Vigilant liquidity risk management requires the company to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. As at balance date all financial liabilities had payable terms within 60 days.

The company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. As at report date, all financial liabilities of the company had maturities of less than 60 days.

***Fair value of financial instruments***

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**Note 10. Key management personnel disclosures**

*Directors*

The following persons were directors of Heavy Rare Earths Limited during the financial period:

Mr John Byrne	(Non-executive Chairman) - appointed 2 February 2022
Mr Richard Brescianini	(Non-executive Director) - appointed 2 February 2022
Mr Ryan Skeen	(Non-executive Director) - appointed 16 May 2022
Mr Ryan Batros	(Non-executive Director) - appointed 25 March 2021 and resigned 16 May 2022
Mr Bryan Frost	(Non-executive Director) - appointed 25 March 2021 and resigned 2 February 2022
Mr Justin Mouchacca	(Non-executive Director) - appointed 9 November 2021 and resigned 2 February 2022
Mr Wayne Kernaghan	(Non-executive Director) - appointed 25 March 2021 and resigned 9 November 2021

There were no payments made to Directors during the period.

*Compensation*

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	<b>for period 25 March 2021 to 31 December 2021 \$</b>
Short-term employee benefits	<u><u>22,000</u></u>

**Heavy Rare Earths Limited**  
**(Formerly known as HRE Corporation Limited)**  
**Notes to the financial statements**  
**31 December 2021**

**Note 11. Remuneration of auditors**

During the financial period the following fees were paid or payable for services provided by , the auditor of the company:

	<b>for period 25 March 2021 to 31 December 2021 \$</b>
<i>Audit services - William Buck Audit (Vic) Pty Ltd</i>	
Audit or review of the financial statements	<u>12,500</u>

**Note 12. Planned exploration expenditure**

	<b>31 December 2021 \$</b>
Planned exploration expenditure at the reporting date but not recognised as liabilities, payable:	
Within one year	80,000
One to five years	480,000
More than five years	<u>800,000</u>
	<u>1,360,000</u>

**Note 13. Contingent liabilities**

On 9 June 2021, the Company entered into an Assignment of Option to Acquire Exploration Licence Deed (**Assignment Deed**) in relation to the assignment the proposed acquisition of an option to acquire 100% of Western Australia Exploration Licence 63/1972 (**EL 63/1972**). The Assignment Deed was entered into with Cobold Metals Limited (Cobold)

Below is a summary of the details relating to a Deed of Option (**Option Deed**) dated 27 October 2020 and as executed with the vendors of EL 63/1972, which the Company will now be required to provide once the option has been exercised:

- Option fee: \$250 (paid by Cobold Metals);
- Upon exercise of the option: \$300,000 will be payable to the Vendors in cash and 1,000,000 fully paid ordinary shares issued to the Vendors in lieu of payment of \$200,000, upon and subject to successful completion of the IPO and receipt of conditional listing approval.
- The Company is (and its predecessor Cobold was) obliged to comply with minimum expenditure obligations. Vendors have confirmed expenditure obligations of predecessor under the Deed of Option have been fulfilled or waived.

In accordance with the Option Deed the Company proposes to enter into a Royalty Agreement whereby the previous tenement holder will receive rights to a royalty of \$A0.25 per tonne for any type of ore processed from the tenements or any successor tenement payable on sale of the relevant mineral product provided that such royalty rate is not more than what would be deemed fair and reasonable and/or having regard to prevailing industry evidence of commercial arm's length royalty rates for such commodities. The total amount payable in accordance with the Royalty Agreement will be capped at \$250,000 per annum.

**Note 14. Related party transactions**

*Key management personnel*

Disclosures relating to key management personnel are set out in note 10.

**Heavy Rare Earths Limited**  
**(Formerly known as HRE Corporation Limited)**  
**Notes to the financial statements**  
**31 December 2021**

**Note 14. Related party transactions (continued)**

The following transactions occurred with related parties:

	<b>for period 25 March 2021 to 31 December 2021 \$</b>
Payment for other expenses:	
Amounts paid to Peregrine Corporate Limited for capital raising services and accounted for in equity	77,062
Amounts paid to Peregrine Corporate Limited relating to office admin costs (entity associated with Bryan Frost) and recorded in the statement of financial performance	6,600

*Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	<b>31 December 2021 \$</b>
Current payables:	
Trade payables to JM Corporate Services (entity associated with Justin Mouchacca)	4,125
Trade payables to Secla Pty Ltd (entity associated with Ryan Batros)	5,500

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

**Note 15. Events after the reporting period**

Subsequent to the end of the financial period, the Company's name changed to Heavy Rare Earths Limited from HRE Corporation Limited following shareholder approval sought at the Company's Annual General Meeting (AGM) held on 16 March 2022.

The Company also sought approval from shareholders at the AGM to consolidate the Company's shares on basis that every five (5) fully paid ordinary shares be consolidated into one (1) fully paid ordinary share. Following completion of the consolidation the number of shares on issue was 37,255,150.

The Company has also made two applications for exploration licences (ELA 33101 and ELA 33194) in the Tennant Creek region of the Northern Territory, which the Company has identified as having potential to host REEs.

The Company issued 70,000 Shares (on a post-consolidation basis) for satisfaction of consulting services provided to the Company by a related entity of Director, Mr Richard Brescianini.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

**Heavy Rare Earths Limited**  
**(Formerly known as HRE Corporation Limited)**  
**Notes to the financial statements**  
**31 December 2021**

**Note 16. Reconciliation of loss after income tax to net cash used in operating activities**

	<b>for period 25 March 2021 to 31 December 2021 \$</b>
Loss after income tax expense for the period	(118,568)
Change in operating assets and liabilities:	
Increase in GST input tax credits receivable	(8,453)
Increase in trade and other payables	<u>56,579</u>
Net cash used in operating activities	<u><u>(70,442)</u></u>

**Note 17. Earnings per share**

	<b>for period 25 March 2021 to 31 December 2021 \$</b>
Loss after income tax attributable to the owners of Heavy Rare Earths Limited	<u><u>(118,568)</u></u>
	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>21,700,185</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u><u>21,700,185</u></u>
	<b>Cents</b>
Basic earnings per share	(0.55)
Diluted earnings per share	(0.55)

**Heavy Rare Earths Limited**  
**(Formerly known as HRE Corporation Limited)**  
**Directors' declaration**  
**31 December 2021**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 31 December 2021 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Mr John Byrne  
Non-executive Chairman

23 May 2022

## Heavy Rare Earths Limited

Independent auditor's report to members

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Heavy Rare Earths Limited (the Company), which comprises the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 31 December 2021 and of its financial performance for the period ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### ACCOUNTANTS & ADVISORS

Level 20, 181 William Street  
Melbourne VIC 3000

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In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

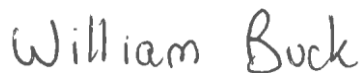
### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf)

This description forms part of our independent auditor's report.



**William Buck Audit (Vic) Pty Ltd**

ABN: 59 116 151 136



**N. S. Benbow**

Director

Melbourne, 23 May 2022